

**REPORT OF THE AUDIT OF THE  
MEADE COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2006**

**EXECUTIVE SUMMARY  
AUDIT EXAMINATION OF THE  
MEADE COUNTY FISCAL COURT**

**June 30, 2006**

Richardson, Pennington & Skinner, PSC has completed the audit of the Meade County Fiscal Court for fiscal year ended June 30, 2006. We have issued an unqualified opinion on the governmental activities, business-type activities, and each major fund. We have issued a qualified opinion on the discretely presented component unit since its financial statements were prepared in accordance with generally accepted accounting principles, which is inconsistent with the modified cash basis used by Meade County.

We did not audit the financial statements of the Meade County Solid Waste Department, a discretely presented component unit. Other auditors audited those financial statements, and our opinion, insofar as it relates to the amounts included for the Meade County Solid Waste Department, is based on the report of the other auditors.

**Financial Condition:**

The fiscal court had net assets of \$10,519,128 as of June 30, 2006. The fiscal court had unrestricted net assets of \$5,414,048 in its governmental activities as of June 30, 2006, with total net assets of \$10,499,059. In its business activities, total net cash and cash equivalents were \$22,543 with total net assets of \$20,069. The fiscal court's discretely presented component unit had net assets of \$(126,781) as of June 30, 2006. The discretely presented component unit had cash and cash equivalents of \$92,648. The fiscal court had total debt principal as of June 30, 2006 of \$12,180,047 with \$401,047 due within the next year. The discretely presented component unit had total debt principal as of June 30, 2006 of \$456,579 with \$84,143 due within the next year.

**Report Comment:**

2006-1 Lack of Segregation of Duties

**Deposits:**

As of June 30, 2006, all of the fiscal court's deposits were insured and collateralized by bank securities or bonds.

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Joseph E. Richardson  
William A. Talley  
Jon D. Chesser  
Bob E. Wientjes  
Ruth A. Payne

Kentucky Offices:  
Louisville  
Brandenburg  
Hardinsburg  
Leitchfield

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
John R. Farris, Secretary  
Finance and Administration Cabinet  
Honorable Harry Craycroft, Meade County Judge/Executive  
Honorable William B. Hayes, Former Meade County Judge/Executive  
Members of the Meade County Fiscal Court

#### Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of Meade County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Meade County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Meade County Solid Waste Department, a discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Meade County Solid Waste Department, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

As described in Note 1, Meade County, Kentucky, prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The financial statements of the Meade County Solid Waste Department, a discretely presented component unit, are

presented according to accounting principles generally accepted in the United States of America. This basis of accounting is different from the modified cash basis in that certain accruals of assets, liabilities, revenues, and expenses are made to the financial statements of the Meade County Solid Waste Department that are not recognized under the modified cash basis of accounting.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had the Meade County Solid Waste Department financial statements been prepared using the modified cash basis of accounting as Meade County, Kentucky, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the discretely presented component unit of Meade County, Kentucky, as of June 30, 2006, and the changes in financial position, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In addition, in our opinion, based on our report and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Meade County, Kentucky, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 20, 2006 on our consideration of Meade County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 9 through 16 and 45 through 48 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Meade County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the County. The schedule of expenditures of federal

awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted

*Richardson Pennington & Skinner PSC.*

Louisville, Kentucky  
December 20, 2006

## MEADE COUNTY OFFICIALS

For The Year Ended June 30, 2006

### **Fiscal Court Members:**

William B. Haynes	County Judge/Executive
James Anthony Staples	Magistrate
Herbert Chism II	Magistrate
Donald E. Callecod	Magistrate
Theresa L. Padgett	Magistrate
Harold E. Davidson	Magistrate
Kent Allen	Magistrate

### **Other Elected Officials:**

Darren Sipes	County Attorney
Troy Seelye	Jailer
Katrina Fitzgerald	County Clerk
Evelyn D. Medley	Circuit Court Clerk
Cliff Wise	Sheriff
Mark Straney	Property Valuation Administrator
Bill Adams	Coroner

### **Appointed Personnel:**

Shirley Fackler	County Treasurer
Anna Roberts	Payroll Officer
Mary Coghill	Finance Officer



Joseph E. Richardson  
William A. Talley  
Jon D. Chesser  
Bob E. Wientjes  
Ruth A. Payne

Kentucky Offices:  
Louisville  
Brandenburg  
Hardinsburg  
Leitchfield

**MEADE COUNTY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2006**

The financial management of Meade County, Kentucky offers readers of Meade County's financial statements this narrative overview and analysis of the financial activities of Meade County for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here in conjunction with other information that we have furnished in our letter of transmission and the notes to the financial statements.

**Financial Highlights**

- Meade County had net assets of \$10,519,128 as of June 30, 2006. The fiscal court had unrestricted net assets of \$5,434,117, and \$5,414,048 of that is in governmental activities, as of June 30, 2006. In its business-type activities, cash and cash equivalents were \$22,543, which also equaled total assets. Total debt principal as of June 30, 2006 was \$12,180,047 with \$401,047 due within in one year.
- The government's total net assets increased by \$1,118,879 from the prior year.
- At the close of the current fiscal year, Meade County's governmental funds reported a fund balance of \$6,028,086. Of this amount, \$5,414,048 is available for spending at the government's discretion (unreserved fund balance).
- Meade County's total indebtedness for governmental activities at the close of fiscal year June 30, 2006 was \$12,180,047 of which \$11,779,000 is long-term debt (due after 1 year) and \$401,047 is short-term debt (to be paid within 1 year).
- The Fiscal Court entered into a Community Development Block Grant agreement to renovate the Meade County Health Department for \$500,000.
- The old boat ramp was renovated, making it possible to hold the 2005 KBF tournament, which is a great inducement for tourism.
- Received a Block Grant from the KY Board of Emergency Medical Services for \$10, 017 to aid in the purchase in a 2006 Ford E-350 ambulance for \$80,000.
- Voting machines for the handicapped & hearing impaired were purchased for

**Meade County  
Management's Discussion and Analysis  
June 30, 2006  
(Continued)**

**Financial Highlights (Continued)**

\$118,042. The Federal Government reimbursed these monies to the County.

- \$3,000 was appropriated to the City of Brandenburg for Christmas by the River.
- 550 Acres of land was purchased from Arch Chemical for \$6,000,000. A 20-year loan/lease agreement was entered into between the Fiscal Court and Kentucky Association of Counties for these monies.
- A new air handler was purchased for the heating and air conditioning unit in the courthouse for \$5,240.
- Meade County entered into an agreement with the KY Department of Transportation for the County Road Aid Agreement of \$435,051.
- The Meade County Road Department purchased new garage doors for \$3,520.
- A CAT Grade was purchased for the Road Department from Whayne Supply for \$137,430 and the Fiscal Court into a 3 year lease for \$138,000 for the balance of the loan.
- Meade County Fiscal Court contributed \$22,500 to all fire departments in the county who are non-taxing.
- A Homeland Security Grant for \$100,000 was received and E-911 enhancement equipment was purchased for \$120,045. An additional payment of \$27,000 was paid for the maintenance agreement, which is paid annually. A 2.5 ton air conditioning unit was also purchased for the dispatch service for \$3,624.

**Overview of the Financial Statements**

This management discussion and analysis is intended to serve as an introduction to Meade County's basic financial statements. Meade County's basic financial statements are comprised of three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Meade County  
Management's Discussion and Analysis  
June 30, 2006  
(Continued)**

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of Meade County's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information of all of Meade County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Meade County is improving or deteriorating.

The Statement of Activities presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported on a modified cash basis of accounting. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and related assets and liabilities.

Under the county's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on capital assets in the government-wide financial statements for all activities and in the fund financial statements for the proprietary fund activities.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Meade County's governmental activities include general governmental, protection to persons and property, roads, recreation, and social services. The County has one business type activity – the operation of a jail canteen.

The government-wide financial statements include not only Meade County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Meade County has one such entity, the Meade County Solid Waste Department. It is known as a component unit.

**Meade County**  
**Management's Discussion and Analysis**  
**June 30, 2006**  
**(Continued)**

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Meade County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with legal and statutory requirements. All of the funds of Meade County can be divided into two broad categories: governmental funds and proprietary funds.

**Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's current financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Meade County maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the government fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, CDBG Fund, Jail Fund, Local Government Economic Assistance Fund, and Jail Bond Proceeds Fund, all of which are considered major funds by the County.

Meade County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for the General, Road, Jail, and LGEA Funds to demonstrate compliance with their budgets.

**Meade County**  
**Management's Discussion and Analysis**  
**June 30, 2006**  
**(Continued)**

**Proprietary Funds**

Proprietary funds provide the same type of information as the business-type activities column on the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Jail Canteen Fund.

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Government-wide Financial Analysis**

As a result of the County implementing the GASB 34 accounting format, we can compare this year's data with last year.

	<u>FY 2005</u>	<u>FY 2006</u>
Total Assets	\$ 15,774,830	\$ 22,701,649
Total Liabilities	<u>6,374,581</u>	<u>12,182,521</u>
Net Assets	<u>\$ 9,400,249</u>	<u>\$ 10,519,128</u>

Key elements of this are as follows:

- Cash and cash equivalents increased by \$724,664
- Notes Receivable decreased by \$60,000
- Investments in capital assets, net of related debt increased \$397,108
- Liabilities increased by \$5,807,940
- Program Revenues were \$5,219,633 for the Governmental Activities; Business-type Activities \$116,816; and the Component Unit \$1,378,735. General Revenues were \$3,807,151 for a total of \$10,573,626 as reflected in the Statement of Activities.
- Expenditures totaled \$7,899,547 for the Governmental Activities; Business-type Activities \$125,174; and the Component Units \$1,596,665 as reflected in the Statement of Activities.

**Meade County  
Management's Discussion and Analysis  
June 30, 2006  
(Continued)**

**Financial Analysis of the County's Funds**

As noted earlier, Meade County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds Overview**

The focus on Meade County governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved funds balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2006, the combined ending fund balance of County governmental funds was \$6,028,086. Approximately 90% (\$5,414,048) of this consists of unreserved fund balance, which is available as working capital and for current spending in accordance with the purpose of the specific funds. The remainder of fund balance (\$614,038) is reserved to indicate that it is not available for new spending because it is committed.

The County has 6 major governmental funds. These are: 1) General Fund; 2) Road Fund; 3) Community Development and Block Grant Fund; 4) Jail Fund; 5) Local Government Economic Assistance Fund; 6) Jail Bond Proceeds Fund.

1. The General Fund is the chief operating fund of Meade County. At the end of June 30, 2006 fiscal year, the fund balance was \$3,802,529. The County received \$3,323,735 from tax revenues. This accounts for approximately 66% of the General Fund revenues.
2. The Road Fund is the fund related to county road and bridge construction and maintenance. The Road Fund had \$1,069,044 in fund balance at June 30, 2006. The fund balance at the end of the previous year was \$737,559. The fiscal year 2006 expenditures for road projects were \$1,520,849.
3. The CDBG Fund had no fund balance at June 30, 2006. This fund is used to administer the federal grant money received for the Community Development Block Grant. The federal money is received by Meade County Fiscal Court and distributed to the Lincoln Trail Health Department.
4. The Jail Fund is used to account for the operation of the County's detention program. The Jail Fund had a fund balance at June 30, 2006 of \$84,861. That is a

**Meade County  
Management's Discussion and Analysis  
June 30, 2006  
(Continued)**

**Financial Analysis of the County's Funds (Continued)**

4. (continued) decrease in fund balance of \$30,265 over the previous fiscal year end. The Jail Fund received \$1,017,885 from intergovernmental sources.
5. The Local Government Economic Assistance Fund had a fund balance of \$532,863 at June 30, 2006. This is an increase of \$62,728 over the previous fiscal year end.
6. The Jail Bond Proceeds Fund is used for payment of principal and interest to bond holders and had a fund balance of \$538,789 as of June 30, 2006.

**Proprietary Funds Overview**

The County's proprietary fund statements provide the same type of information found in the business-type activities column of the government-wide statements, but in more detail. Meade County has one enterprise fund, the Jail Canteen Fund. The Jail Canteen Fund had net assets of \$20,069 and a cash balance of \$22,543 as of June 30, 2006.

**General Fund Budgetary Highlights**

The County's original budget was amended during the current year to account for 6,000,000 in debt proceeds.

Actual operating revenues were \$1,017,889 more than originally budgeted by Fiscal Court and actual operating expenditures were \$508,401 less than originally budgeted by Fiscal Court.

**Capital Assets and Debt Administration**

**Capital Assets:**

Meade County's investment in capital assets for its government activities as of June 30, 2006, amounts to \$15,913,020 (net of accumulated depreciation). This investment in capital assets includes, land, buildings, improvements to land and buildings, equipment, vehicles, and current year infrastructure assets per GASB 34 provisions. Additional information on the County's capital assets can be found in Note 4 of this report.

**Long-Term Debt:**

At the end of the 2005 fiscal year, Meade County had total long-term debt outstanding of \$12,180,047. The amount of this debt due within the next year is \$401,047 and \$11,779,000 is due in subsequent years.

**Meade County  
Management's Discussion and Analysis  
June 30, 2006  
(Continued)**

**Requests for Information**

This financial report is designed to provide a general overview of Meade County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this requests for additional financial information should be addressed to:

**Meade County Treasurer  
Shirley Fackler  
516 Fairway Drive  
Brandenburg, KY 40108**



**MEADE COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**  
**JUNE 30, 2006**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	Meade County Solid Waste Department
<b>ASSETS</b>				
Current Assets				
Cash and Cash Equivalents	\$ 6,028,086	\$ 22,543	\$ 6,050,629	\$ 92,648
Notes Receivable	62,000	-	62,000	-
Accounts Receivable	-	-	-	72,126
Total Current Assets	6,090,086	22,543	6,112,629	164,774
Noncurrent Assets:				
Note Receivable	676,000	-	676,000	-
Capital Assets-				
Land and Land Improvements	6,134,687	-	6,134,687	-
Buildings	7,520,463	-	7,520,463	-
Building Improvements	66,872	-	66,872	-
Vehicles	528,604	-	528,604	-
Equipment	1,011,802	-	1,011,802	-
Infrastructure	650,592	-	650,592	-
Capital assets, net	-	-	-	275,467
Total Noncurrent Assets	16,589,020	-	16,589,020	275,467
Total Assets	22,679,106	22,543	22,701,649	440,241
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	-	2,474	2,474	88,476
Accrued Liabilities	-	-	-	21,967
Long-term Debt - Current Portion	-	-	-	84,143
Revenue Bonds Payable	90,000	-	90,000	-
Financing Obligations Payable	306,894	-	306,894	-
Total Current Liabilities	396,894	2,474	399,368	194,586
Noncurrent Liabilities				
Long-term Debt - Net of Current	-	-	-	372,436
General Obligation Bonds Payable	4,230,000	-	4,230,000	-
Revenue Bonds Payable	935,000	-	935,000	-
Financing Obligations Payable	6,618,153	-	6,618,153	-
Total Noncurrent Liabilities	11,783,153	-	11,783,153	372,436
Total Liabilities	12,180,047	2,474	12,182,521	567,022
<b>NET ASSETS</b>				
Invested in Capital Assets,				
Net of Related Debt	4,470,973	-	4,470,973	(181,112)
Restricted For:				
Debt Service	614,038	-	614,038	-
Unrestricted	5,414,048	20,069	5,434,117	54,331
Total Net Assets	\$ 10,499,059	\$ 20,069	\$ 10,519,128	\$ (126,781)

The accompanying notes are an integral part of the financial statements.

**MEADE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

Functions/Programs Reporting Entity	Program Revenues Received			Net (Disbursements) Receipts and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Totals
<b>Primary Government:</b>						
Governmental Activities						
General Government	\$ 2,130,852	\$ 58,617	\$ 126,353	\$ (1,935,583)	\$ -	\$ (1,935,583)
Protection to Persons and Property	3,028,484	1,841,566	110,017	(271,081)	-	(271,081)
General Health and Sanitation	171,478	-	-	(171,478)	-	(171,478)
Social Services	12,786	10,768	-	(2,018)	-	(2,018)
Recreation and Culture	219,124	-	-	(164,283)	-	(164,283)
Roads	1,441,610	1,298,473	438,253	386,657	-	386,657
Transportation Facilities and Services	12,389	-	-	(12,389)	-	(12,389)
Capital Projects	373,085	-	373,085	-	-	-
Debt Service	509,739	-	-	(509,739)	-	(509,739)
Total Governmental Activities	7,899,547	2,125,360	1,047,708	(2,679,914)	-	(2,679,914)
<b>Business-type Activities:</b>						
Jail Canteen Fund	125,174	-	-	-	(8,358)	(8,358)
Total Business-type Activities	125,174	-	-	-	(8,358)	(8,358)
Total Primary Government	8,024,721	2,125,360	1,047,708	(2,679,914)	(8,358)	(2,688,272)
<b>Component Unit:</b>						
Meade County Solid Waste Department	\$ 1,596,665	\$ 1,378,735	\$ -			(217,930)
<b>General Revenues:</b>						
Taxes:						
Real Property Taxes				1,482,979	-	1,482,979
Personal Property Taxes				296,061	-	296,061
Motor Vehicle Taxes				185,860	-	185,860
Insurance License/fee taxes				883,046	-	883,046
Other Taxes				475,789	-	475,789
Excess Fees				128,931	-	128,931
Licenses and Permits				105,368	-	105,368
Unrestricted Investment Earnings				182,062	-	182,062
Miscellaneous Revenues				67,055	-	67,055
Total General Revenues and Transfers				3,807,151	-	3,807,151
Change in Net Assets				1,127,237	(8,358)	1,118,879
Net Assets - Beginning				9,371,822	28,427	9,400,249
Net Assets - Ending				\$ 10,499,059	\$ 20,069	\$ 10,519,128
						\$ (126,781)

The accompanying notes are an integral part of the financial statements.

**MEADE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**JUNE 30, 2006**

ASSETS	General Fund	Road Fund	CDBG Fund	Jail Fund	LGEA Fund	Jail Bond Proceeds Fund	Total Governmental Funds
Cash and Cash Equivalents	\$ 3,802,529	\$ 1,069,044	\$ -	\$ 84,861	\$ 532,863	\$ 538,789	\$ 6,028,086
Total Assets	<u>3,802,529</u>	<u>1,069,044</u>	<u>-</u>	<u>84,861</u>	<u>532,863</u>	<u>538,789</u>	<u>6,028,086</u>
FUND BALANCES							
Reserved for:							
Encumbrances	36,459	35,780	1,442	1,568	-	-	75,249
Debt Service Fund	-	-	-	-	-	538,789	538,789
Unreserved							
General Fund	3,766,070	-	-	-	-	-	3,766,070
Special Revenue Funds	-	1,033,264	(1,442)	83,293	532,863	-	1,647,978
Total Fund Balances	<u>\$ 3,802,529</u>	<u>\$ 1,069,044</u>	<u>\$ -</u>	<u>\$ 84,861</u>	<u>\$ 532,863</u>	<u>\$ 538,789</u>	<u>\$ 6,028,086</u>

The accompanying notes are an integral part of the financial statements.

**MEADE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**JUNE 30, 2006**

**Reconciliation of the Balance Sheet - Government Funds to the Statement of Net Assets:**

Total Fund Balances	\$ 6,028,086
Amounts reported for governmental activities in the statement	
of net assets are different because:	
Notes receivable used in governmental activities are not financial resources	738,000
Capital assets used in governmental activities are not financial resources	
and therefore are not reported in the funds.	19,756,964
Accumulated depreciation	(3,843,944)
Long-term debt is not due and payable in the current period and, therefore, is not	
reported in the funds	
General Obligation Bonds	(4,230,000)
Revenue Bonds	(1,025,000)
Financing Obligations	(6,925,047)
Net Assets of Governmental Activities	<u>\$ 10,499,059</u>

The accompanying notes are an integral part of the financial statements.

**MEADE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

	General Fund	Road Fund	CBDG Fund	Jail Fund	LGEA Fund	Jail Bond Proceeds Fund	Total Governmental Funds
<b>REVENUES</b>							
Taxes	\$ 3,323,735	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,323,735
Excess Fees	128,931	-	-	-	-	-	128,931
Licenses and Permits	105,368	-	-	-	-	-	105,368
Intergovernmental	308,584	-	-	-	-	-	308,584
Charges for Services	775,020	1,736,726	373,085	1,017,885	662,563	-	4,098,843
Miscellaneous	273,385	80,439	-	53,424	3,600	-	912,483
Interest	129,430	11,102	-	48,087	2,788	-	335,362
		24,067	-	700	10,254	17,611	182,062
Total Revenues	<u>5,044,453</u>	<u>1,852,334</u>	<u>373,085</u>	<u>1,120,096</u>	<u>679,205</u>	<u>17,611</u>	<u>9,086,784</u>
<b>EXPENDITURES</b>							
General Government	1,077,156	-	-	7,168	-	-	1,084,324
Protection to Persons and Property	1,013,121	-	-	1,082,017	510,863	-	2,606,001
General Health and Sanitation	94,360	-	-	43,993	-	-	138,353
Social Services	12,786	-	-	-	-	-	12,786
Recreation and Culture	193,681	-	-	-	-	-	193,681
Roads	-	1,189,144	-	-	-	-	1,189,144
Transportation Facilities and Services	-	12,389	-	-	-	-	12,389
Capital Projects	423,987	-	373,085	-	-	-	797,072
Debt Services	6,240,186	3,500	-	-	-	-	6,243,686
Capital Outlay	958,900	305,777	-	6,495	134,637	-	1,305,809
Administration		148,039	-	240,688	67,651	-	456,378
Total Expenditures	<u>10,014,177</u>	<u>1,658,849</u>	<u>373,085</u>	<u>1,380,361</u>	<u>713,151</u>	<u>451,706</u>	<u>14,591,329</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(4,969,724)</u>	<u>193,485</u>	<u>-</u>	<u>(260,265)</u>	<u>(33,946)</u>	<u>(434,095)</u>	<u>(5,504,545)</u>
Other Financing Sources (Uses)							
Loan Proceeds	6,000,000	138,000	-	-	96,674	-	6,234,674
Transfers From Other Funds	-	-	-	230,000	-	451,706	681,706
Transfers To Other Funds	(681,706)	-	-	-	-	-	(681,706)
Total Other Financing Sources (Uses)	<u>5,318,294</u>	<u>138,000</u>	<u>-</u>	<u>230,000</u>	<u>96,674</u>	<u>451,706</u>	<u>6,234,674</u>
Net Change in Fund Balances	348,570	331,485	-	(30,265)	62,728	17,611	730,129
Fund Balances - Beginning	3,453,959	737,559	-	115,126	470,135	521,178	5,297,957
Fund Balances - Ending	<u>\$ 3,802,529</u>	<u>\$ 1,069,044</u>	<u>\$ -</u>	<u>\$ 84,861</u>	<u>\$ 532,863</u>	<u>\$ 538,789</u>	<u>\$ 6,028,086</u>

The accompanying notes are an integral part of the financial statements.

**MEADE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS - CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2006**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$ 730,129
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	6,687,095
Depreciation expense	(422,940)

Change in notes receivable as a result of payment on debt by the Meade County Water District	(60,000)
--	----------

Financing obligations and bond principal payments are expensed in the Governmental Funds as a use of current financial resources. However, these amounts decrease non-current liabilities on the statement of net assets and have been eliminated on the statement of activities.

Laon proceeds	(6,234,674)
Financing Obligations	107,627
Revenue Bonds	80,000
General Obligation Bonds	<u>240,000</u>

Change in Net Assets of Governmental Activities	<u>\$ 1,127,237</u>
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The accompanying notes are an integral part of the financial statements.

The accompanying notes are an integral part of the financial statements.

**MEADE COUNTY**  
**STATEMENT OF FUND NET ASSETS**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**  
**JUNE 30, 2006**

	<u>Business-Type Activities- Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 22,543
Total Current Assets	<u>22,543</u>
<b>Liabilities</b>	
Current Liabilities:	
Accounts Payable	<u>2,474</u>
Total Current Liabilities	<u>2,474</u>
<b>Net Assets</b>	
Unrestricted	20,069
Total Net Assets	<u>\$ 20,069</u>

The accompanying notes are an integral part of the financial statements.

**MEADE COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS-**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**  
**JUNE 30, 2006**

	<u>Business-Type Activities- Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
<b>Operating Revenues</b>	
Canteen Revenues	\$ 116,816
Total Operating Revenues	<u>116,816</u>
<b>Operating Expenses</b>	
Cost of Goods Sold and Other Expenses	<u>125,174</u>
Total Operating Expenses	<u>125,174</u>
Operating Income	<u>(8,358)</u>
Change In Net Assets	(8,358)
Total Net Assets - Beginning	<u>28,427</u>
Total Net Assets - Ending	<u><u>\$ 20,069</u></u>

The accompanying notes are an integral part of the financial statements.



**MEADE COUNTY**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND - MODIFIED CASH BASIS**  
**JUNE 30, 2006**

	<u><b>Business-Type Activities- Enterprise Fund</b></u>
	<u><b>Jail Canteen Fund</b></u>
<b>Cash Flows From Operating Activities</b>	
Canteen Receipts	\$ 116,816
Cost of Goods Sold and Other Expenses	<u>(124,281)</u>
Net Cash Provided by Operating Activities	<u>(7,465)</u>
Cash and Cash Equivalents - July 1, 2005	30,008
Cash and Cash Equivalents - June 30, 2006	<u><u>\$ 22,543</u></u>
 <b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	
Operating Income	\$ (8,358)
Change in accounts payable	<u>893</u>
Net Cash Provided By Operating Activities	<u><u>\$ (7,465)</u></u>

The accompanying notes are an integral part of the financial statements.

**MEADE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2006**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Notes receivable are recognized on the Statement of Net Assets, but notes receivable are not included and recognized on the Balance Sheet – Governmental Funds. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements. However, the financial statements of the Meade County Solid Waste Department, a discretely presented component unit, have been prepared under accounting principles generally accepted in the United States of America, which is inconsistent with the basis of accounting Meade County, Kentucky, uses to prepare its financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet – Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of Meade County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely

**MEADE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
JUNE 30, 2006**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented.

Discretely Presented Component Units

The component unit's columns in the government-wide financial statements include the data of the following organization. It is reported on the Statement of Net Assets and the Statement of Activities in a separate column that is labeled as "Component Unit" to emphasize this organizations' separateness from the fiscal court's primary government.

**Meade County Solid Waste Department**

The Meade County Solid Waste Department (Department) was created and exists pursuant to the provisions of Kentucky Revised Statutes 109 and by the Fiscal Court. The Department was created with the mission to provide garbage collection of solid waste in Meade County. The Fiscal Court appoints a majority of the Department's board and the Department was deemed a component unit of Meade County Fiscal Court. The Department is included as a discretely presented component unit on Meade County's financial statements and was audited by other auditors. A copy of this report may be obtained from the Meade County Treasurer.

**Meade County Riverport Authority**

The Meade County Riverport Authority was created to bring businesses to Meade County along the Ohio River. The Authority had no assets or activity on its own in fiscal year 2006.

**C. Meade County Constitutional Elected Officials**

The Kentucky constitution provides for election of the officials below from the geographic area constituting Meade County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and

**MEADE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
JUNE 30, 2006**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Meade County Constitutional Elected Officials (Continued)**

can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Meade County, Kentucky.

Circuit Court Clerk  
County Attorney  
Property Valuation Administrator  
County Clerk  
County Sheriff

**D. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The government-wide statements are reported using the economic resources measurement focus and the modified cash basis of accounting, as do the proprietary fund financial statements. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets – resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by

**MEADE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
JUNE 30, 2006**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

law through constitutional provisions or enabling legislation; and 3) unrestricted net assets – those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes, and unrestricted state funds, are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

All governmental fund statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. The modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The primary government reports the following major governmental funds:

General Fund – This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for

**MEADE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**  
**JUNE 30, 2006**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

Local Development requires a separate fund or where management requires that a separate fund be used for some function. The Ambulance Fund was included in the General Fund this year.

Road Fund – This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund – The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

CDBG Fund – The purpose of this fund is to administer the federal grant money received for the Community Development Block Grant.

LGEA Fund – The purpose of this fund is to account for funds received from the state for mineral severance taxes and E-911 service collections. The funds are used primarily for public safety.

Jail Bond Proceeds Fund – The purpose of this fund is to account for debt service requirements of general obligation bonds of the fiscal court.

**Special Revenue Funds:**

The Road Fund, Jail Fund, and the LGEA Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**MEADE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
JUNE 30, 2006**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

**Debt Service Fund:**

The Jail Bond Proceeds Fund is presented as a debt service fund. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

**Capital Project Fund:**

The county had only one capital project fund, the CDBG fund.

Generally, and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessments, and subject to lien and sale the 3<sup>rd</sup> Saturday in April following the delinquency date.

**Proprietary Funds**

All proprietary funds are reported using the economic resources measurement focus and the modified cash basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary fund:

Jail Canteen Fund – The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**E. Deposits and Investments**

**MEADE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**  
**JUNE 30, 2006**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Deposits and Investments (Continued)**

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**F. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the governments capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction in Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 5,000	10-60
Buildings and Building Improvemen	\$ 5,000	3-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 5,000	10-50

**G. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.



**MEADE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**  
**JUNE 30, 2006**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Long-term Obligations (Continued)**

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest is reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, is reported as expenditures. Debt proceeds are reported as other financing sources.

**H. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are considered encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet – Governmental Funds as part of the fund balance.

**I. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer. The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1. The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance

**MEADE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
JUNE 30, 2006**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**I. Budgetary Information (Continued)**

Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Canteen Fund to be budgeted because the fiscal court does not approve the expenses made from these funds.

**J. Related Organizations and Joint Venture**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Meade County Fiscal Court: Meade County Tourism Commission, Meade County Water District, Meade County Planning and Zoning, Meade County Fire Department, Meade County Conservation District, and the Meade County Library District.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following is considered a joint venture of the Meade County Fiscal Court: Meade County Industrial Authority.

**Note 2. Deposits**

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**MEADE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**  
**JUNE 30, 2006**

**Note 2. Deposits (Continued)**

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a depository institution's failure, the County's deposits may not be returned. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2006 all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Operating Leases**

The fiscal court entered into a lease agreement for an old state highway garage building and land to be used by various county departments. The total expense related to this lease was \$3,500 for the fiscal year ended June 30, 2006. The future minimum lease payments for this lease is as follows:

Fiscal Year Ended	
<u>June 30</u>	<u>Amount</u>
2007	\$ 3,500
2008	3,500
2009	3,500
2010	<u>3,500</u>
Total Minimum Lease Payments	<u><u>\$ 14,000</u></u>

**MEADE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**  
**JUNE 30, 2006**

**Note 4. Capital Assets**

Capital asset activity for the year ended June 30, 2006 was as follows:

Primary Government: Governmental Activities:	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Capital Assets Not Being Depreciated:				
Land	\$ 115,551	\$ 6,000,000	\$ -	\$ 6,115,551
Total Capital Assets Not Being Depreciated	<u>115,551</u>	<u>6,000,000</u>	<u>-</u>	<u>6,115,551</u>
Capital Assets Being Depreciated:				
Buildings	9,651,627	-	-	9,651,627
Building Improvements	31,720	40,794	-	72,514
Land Improvements	196,353	-	-	196,353
Equipment	1,048,778	398,524	-	1,447,302
Vehicles	1,372,092	80,000	-	1,452,092
Infrastructure	653,748	167,777	-	821,525
Total Capital Assets Being Depreciated	<u>12,954,318</u>	<u>687,095</u>	<u>-</u>	<u>13,641,413</u>
Less Accumulated Depreciation For:				
Buildings	(1,964,733)	(166,431)	-	(2,131,164)
Building Improvements	(2,538)	(3,104)	-	(5,642)
Land Improvements	(166,090)	(11,127)	-	(177,217)
Equipment	(361,886)	(73,614)	-	(435,500)
Vehicles	(816,483)	(107,005)	-	(923,488)
Infrastructure	(109,274)	(61,659)	-	(170,933)
Total Accumulated Depreciation	<u>(3,421,004)</u>	<u>(422,940)</u>	<u>-</u>	<u>(3,843,944)</u>
Total Capital Assets Being Depreciated, Net	<u>9,533,314</u>	<u>264,155</u>	<u>-</u>	<u>9,797,469</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,648,865</u>	<u>\$ 6,264,155</u>	<u>\$ -</u>	<u>\$ 15,913,020</u>

**MEADE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**  
**JUNE 30, 2006**

**Note 4. Capital Assets (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 46,977
Protection to Persons and Property	210,555
General Health and Sanitation	33,125
Recreation and Culture	25,443
Roads, Including Depreciation of General Infrastructure Assets	<u>106,840</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 422,940</u></u>

**Note 5. Long-term Debt**

**A. General Obligation Bonds, Series 1999**

Meade County Fiscal Court issued general obligation bonds of \$5,330,000, series 1999, dated July 1, 1999, to finance construction of the new detention facility. These bonds were issued at varying interest rates ranging from 3.9% to 4.9%, and will be retired by July 1, 2019. Interest payments are due on January 1 and interest and principal July 1. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ -	\$ 100,693
2008	245,000	196,056
2009	255,000	185,118
2010	270,000	734,580
2011	280,000	338,100
2012-2020	<u>3,180,000</u>	<u>10,413</u>
Totals	<u><u>\$ 4,230,000</u></u>	<u><u>\$ 1,564,960</u></u>

**MEADE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**  
**JUNE 30, 2006**

**Note 5. Long-term Debt (Continued)**

**B. Health Care Facility Revenue Bonds, Series 1995**

Meade County Fiscal Court issued health care facility revenue bonds, series 1995, dated February 1, 1995, to fund the construction of a health care facility to be operated by JH Properties, Inc. JH Properties makes the principal and interest payments in lieu of rent, to the bond trustee. These bonds were issued at an interest rate of 6.49%, and will be retired by October 1, 2014. Interest payments are due on April 1; interest and principal October 1. Principal payment requirements and scheduled interest for the retirement of the bonds are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 90,000	\$ 63,602
2008	90,000	57,761
2009	100,000	51,595
2010	105,000	48,351
2011	110,000	
2012-2015	530,000	105,992
Totals	<u>\$ 1,025,000</u>	<u>\$ 327,301</u>

**C. Water District – Financing Obligations and Notes Receivable**

**1. Waterlines**

On November 8, 1995, the fiscal court, on behalf of the Meade County Water District, entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$795,000 at 5.15% for the construction of waterlines. The lease term is for 20 years with the balance to be paid in full on January 20, 2015. The Meade County Water District makes the principal and interest payments to the fiscal court, which in turn pays the trustee. Principal payment requirements and scheduled interest for the remaining term of the agreement are as follows:

**MEADE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**  
**JUNE 30, 2006**

**Note 5. Long-term Debt (Continued)**

**C. Water District – Financing Obligations and Notes Receivable (Continued)**

**1. Waterlines (Continued)**

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 42,000	\$ 30,008
2008	45,000	25,146
2009	47,000	22,316
2010	49,000	19,110
2011	52,000	
2012-2015	233,000	47,317
Totals	<u>\$ 468,000</u>	<u>\$ 143,897</u>

**2. Building**

On December 18, 2001, the fiscal court on behalf of the Meade County Water District entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$350,000 at 4.6% for the construction of a building. The lease term is for 15 years with the balance to be paid in full on January 20, 2016. The Meade County Water District makes the principal and interest payments to the fiscal court, which in turn pays the trustee. Principal payment requirements and scheduled interest for the remaining term of the agreement are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 20,000	\$ 15,203
2008	25,000	12,893
2009	25,000	11,548
2010	25,000	10,090
2011	30,000	
2011-2016	145,000	29,822
Totals	<u>\$ 270,000</u>	<u>\$ 79,556</u>

**MEADE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**  
**JUNE 30, 2006**

**Note 5. Long-term Debt (Continued)**

**D. Other Financing Obligations**

**1. 911 Radio System**

On July 6, 2005, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$143,271 at 4.25% for the purchase of radios for the 911 system. The lease term is for 3 years with the balance to be paid in full on July 20, 2007. Principal payment requirements and scheduled interest for the remaining term of the agreement are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 44,894	\$ 5,716
2008	4,153	21
Totals	<u>\$ 49,047</u>	<u>\$ 5,737</u>

**2. Grader**

On February 21, 2006, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$138,000 at 4.25% for the purchase of a grader. The lease term is for 7 years with the balance to be paid in full on July 20, 2013. Principal payment requirements and scheduled interest for the remaining term of the agreement are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 15,000	\$ 6,092
2008	15,000	5,592
2009	15,000	4,954
2010	15,000	4,204
2011	20,000	
2012-2013	58,000	6,764
Totals	<u>\$ 138,000</u>	<u>\$ 27,606</u>



**MEADE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**  
**JUNE 30, 2006**

**Note 5. Long-term Debt (Continued)**

**D. Other Financing Obligations (Continued)**

**3. Land**

On March 16, 2006, the fiscal court entered into an agreement with the Kentucky Association of Counties Leasing Trust Program in the amount of \$6,000,000 at 4.18% for the purchase of land. The lease term is for 20 years with the balance to be paid in full on July 20, 2026. Principal payment requirements and scheduled interest for the remaining term of the agreement are as follows:

Fiscal Year Ended June 30	Governmental Activities	
	Principal	Interest
2007	\$ 185,000	\$ 283,988
2008	190,000	280,051
2009	200,000	273,074
2010	210,000	263,081
2011	220,000	
2012-2026	4,995,000	2,435,482
Totals	<u>\$ 6,000,000</u>	<u>\$ 3,535,676</u>

**E. Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
General Obligation Bond	\$ 4,470,000	\$ -	\$ 240,000	\$ 4,230,000	\$ -
Revenue Bonds	1,105,000	-	80,000	1,025,000	90,000
Financing Obligations	798,000	6,234,674	107,627	6,925,047	306,894
Governmental activities					
Long-term Liabilities	<u>\$ 6,373,000</u>	<u>\$ 6,234,674</u>	<u>\$ 427,627</u>	<u>\$ 12,180,047</u>	<u>\$ 396,894</u>

**MEADE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**(CONTINUED)**  
**JUNE 30, 2006**

**Note 6. Interest on Long-term Debt and Financing Obligations**

Debt Service on the Statement of Activities includes \$224,792 in interest on financing obligations and \$280,824 in interest on bonds.

**Note 7. Employee Retirement System**

The fiscal court and the Meade County Solid Waste Department, a discretely presented component unit, have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for non-hazardous employees was 10.98 percent.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124 or by telephone at (502) 564-4646.

**Note 8. Deferred Compensation**

The Meade County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permit all full-time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

**MEADE COUNTY  
NOTES TO FINANCIAL STATEMENTS  
(CONTINUED)  
JUNE 30, 2006**

**Note 8. Deferred Compensation (Continued)**

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Public Employees' Deferred Compensation Authority's annual financial report. That report may be obtained by writing the Kentucky Public Employees' Deferred Compensation Authority, 105 Sea Hero Road, Suite 1, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

**Note 9. Insurance**

For the fiscal year ended June 30, 2006, Meade County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 10. Prior Period Adjustment**

The beginning fund balance of the General Fund has been restated by \$59,611 to include the amount previously recorded in the Ambulance Fund. The Ambulance Fund has been eliminated as of June 30, 2006.

**MEADE COUNTY  
REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2006**

**MEADE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2006**

GENERAL FUND				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,787,100	\$ 2,787,100	\$ 3,323,735	\$ 536,635
Excess Fees	135,711	135,711	128,931	(6,780)
Licenses and Permits	80,900	80,900	105,368	24,468
Intergovernmental	259,363	263,053	308,584	45,531
Charges for Services	595,800	595,800	775,020	179,220
Miscellaneous	111,000	111,000	273,385	162,385
Interest	53,000	53,000	129,430	76,430
Total Revenues	4,022,874	4,026,564	5,044,453	1,017,889
EXPENDITURES				
General Government	1,453,043	1,453,043	1,085,432	367,611
Protection to Persons and Property	1,094,085	1,097,775	1,013,121	84,654
General Health and Sanitation	93,813	93,813	94,360	(547)
Social Services	15,290	15,290	12,786	2,504
Recreation and Culture	193,684	193,684	193,681	3
Debt Services	127,000	357,000	423,987	(66,987)
Capital Outlay	-	6,000,000	6,231,910	(231,910)
Administration	1,311,973	1,311,973	958,900	353,073
Total Expenditures	4,288,888	10,522,578	10,014,177	508,401
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
	(266,014)	(6,496,014)	(4,969,724)	1,526,290
Other Financing Sources (Uses)				
Loan Proceeds	-	6,000,000	6,000,000	-
Transfers To Other Funds	(747,705)	(747,705)	(681,706)	65,999
Total Other Financing Sources (Uses)	(747,705)	5,252,295	5,318,294	65,999
Net Change in Fund Balances				
	(1,013,719)	(1,243,719)	348,570	1,592,289
Fund Balances - Beginning	1,013,719	1,243,719	3,453,959	2,210,240
Fund Balances - Ending	\$ -	\$ -	\$ 3,802,529	\$ 3,802,529

**MEADE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2006**

<b>ROAD FUND</b>				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 1,280,645	\$ 1,497,695	\$1,736,726	\$ 239,031
Charges for Services	60,586	60,586	80,439	19,853
Miscellaneous	2,000	2,000	11,102	9,102
Interest	10,500	10,500	24,067	13,567
Total Revenues	<u>1,353,731</u>	<u>1,570,781</u>	<u>1,852,334</u>	<u>281,553</u>
<b>EXPENDITURES</b>				
Roads	1,413,624	1,630,674	1,189,144	441,530
Transportation Facilities and Services	10,500	10,500	12,389	(1,889)
Debt Services	3,500	3,500	3,500	-
Capital Outlay	-	-	305,777	(305,777)
Administration	205,257	205,257	148,039	57,218
Total Expenditures	<u>1,632,881</u>	<u>1,849,931</u>	<u>1,658,849</u>	<u>191,082</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(279,150)</u>	<u>(279,150)</u>	<u>193,485</u>	<u>472,635</u>
Other Financing Sources (Uses)				
Loan Proceeds	-	-	138,000	138,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>138,000</u>	<u>138,000</u>
Net Change in Fund Balances	(279,150)	(279,150)	331,485	610,635
Fund Balances - Beginning	279,150	279,150	737,559	458,409
Fund Balances - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,069,044</u>	<u>\$ 1,069,044</u>

**MEADE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2006**

JAIL FUND				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental	\$ 974,986	\$ 974,986	\$1,017,885	\$ 42,899
Charges for Services	66,500	66,500	53,424	(13,076)
Miscellaneous	73,784	73,784	48,087	(25,697)
Interest	1,000	1,000	700	(300)
Total Revenues	1,116,270	1,116,270	1,120,096	3,826
EXPENDITURES				
General Government	9,685	9,685	7,168	2,517
Protection to Persons and Property	1,191,585	1,191,585	1,082,017	109,568
General Health and Sanitation	50,000	50,000	43,993	6,007
Capital Outlay	-	-	6,495	(6,495)
Administration	241,000	241,000	240,688	312
Total Expenditures	1,492,270	1,492,270	1,380,361	111,909
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
	(376,000)	(376,000)	(260,265)	115,735
Other Financing Sources (Uses)				
Transfers to Other Funds	296,000	296,000	230,000	(66,000)
Total Other Financing Sources (Uses)	296,000	296,000	230,000	(66,000)
Net Change in Fund Balances				
	(80,000)	(80,000)	(30,265)	49,735
Fund Balances - Beginning	80,000	80,000	115,126	35,126
Fund Balances - Ending	\$ -	\$ -	\$ 84,861	\$ 84,861

**MEADE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2006**

LGEA FUND				
	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 584,883	\$ 584,883	\$ 662,563	\$ 77,680
Charges for Services	1,500	1,500	3,600	2,100
Miscellaneous	-	-	2,788	
Interest	5,000	5,000	10,254	5,254
Total Revenues	591,383	591,383	679,205	85,034
<b>EXPENDITURES</b>				
Protection to Persons and Property	569,320	644,320	506,740	137,580
Capital Outlay	-	-	138,760	(138,760)
Administration	112,223	112,223	67,651	44,572
Total Expenditures	681,543	756,543	713,151	43,392
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(90,160)	(165,160)	(33,946)	131,214
Other Financing Sources (Uses)				
Loan Proceeds	-	-	96,674	96,674
Total Other Financing Sources (Uses)	-	-	96,674	96,674
Net Change in Fund Balances	(90,160)	(165,160)	62,728	227,888
Fund Balances - Beginning	90,160	165,160	470,135	304,975
Fund Balances - Ending	\$ -	\$ -	\$ 532,863	\$ 532,863



**MEADE COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2006**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**MEADE COUNTY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2006**

<u>FEDERAL GRANTOR/ PASSTHROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA#</u>	<u>PASS-THROUGH ENTITY IDENTIFYING NUMBER</u>	<u>TOTAL AWARDS EXPENDED</u>
Department of Housing and Urban Development: Passed through State Governor's Office for Local Development: Community Development Block Grant	14.228	N/A	\$ 373,085
Department of Homeland Security: Passed through State Governor's Office for Homeland Security: State Domestic Preparedness Equipment Support Program	97.004	N/A	102,500
Passed through State Governor's Office for Emergency Management: Emergency Management Performance Grant	97.042	N/A	2,604
Election Assistance Commission: Passed through State Board of Elections: Help America Vote Act	90.401	N/A	112,922
<b>TOTAL</b>			<u><u>\$ 591,111</u></u>

**Note: Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Meade County and is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general-purpose financial statements.

Joseph E. Richardson  
William A. Talley  
Jon D. Chesser  
Bob E. Wientjes  
Ruth A. Payne

Kentucky Offices:  
Louisville  
Brandenburg  
Hardinsburg  
Leitchfield

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit of Financial  
Statements Performed In Accordance With Government Auditing Standards

The Honorable Harry Craycroft, Meade County Judge/Executive  
The Honorable William B. Hayes, Former Meade County Judge/Executive  
Members of the Meade County Fiscal Court

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of Meade County, Kentucky, as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon dated December 20, 2006 wherein, we issued a qualified opinion on the discretely presented component unit. Meade County, Kentucky presents its financial statements on the modified cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. The Meade County Solid Waste Department, a discretely presented component unit, was tested for compliance and internal control requirements in accordance with *Government Auditing Standards* by other auditors, whose report has been furnished to us. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Meade County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Meade County Fiscal Court's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying schedule of findings and questioned costs as item 2006-1.

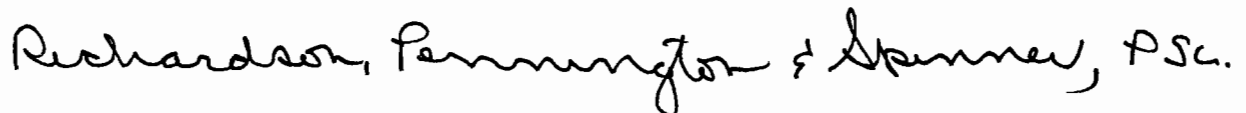
A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by fraud or error in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition listed above is not a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Meade County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development, and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,



December 20, 2006

Joseph E. Richardson  
William A. Talley  
Jon D. Chesser  
Bob E. Wientjes  
Ruth A. Payne

Kentucky Offices:  
Louisville  
Brandenburg  
Hardinsburg  
Leitchfield

Report On Compliance With Requirements Applicable  
To Each Major Program And On Internal Control Over  
Compliance In Accordance With OMB Circular A-133

The Honorable Harry Craycroft, Meade County Judge/Executive  
The Honorable William B. Haynes, Former Meade County Judge/Executive  
Members of the Meade County Fiscal Court

Compliance

We have audited the compliance of Meade County, Kentucky with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. Meade County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Meade County's management. Our responsibility is to express an opinion on Meade County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Meade County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Meade County's compliance with those requirements.

In our opinion, Meade County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006.

### Internal Control Over Compliance

The management of Meade County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Meade County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Meade County's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2006-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, we do not consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and the use of management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

*Richardson, Pennington & Skinner, PSC.*

December 20, 2006

**CERTIFICATION OF COMPLIANCE**  
**LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**  
**MEADE COUNTY FISCAL COURT**

**For The Fiscal Year Ended June 30, 2006**

**The Meade County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.**

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**William B. Haynes**  
**County Judge/Executive**

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**Shirley Fackler**  
**County Treasurer**

**MEADE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2006**

**MEADE COUNTY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2006**

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

\* Material weakness(es) identified: \_\_\_ Yes     X No

\* Reportable condition(s) identified X Yes     \_\_\_ None reported

Noncompliance material to financial  
statements noted:     \_\_\_ Yes     X No

Federal Awards

Internal control over major programs:

\* Material weakness(es) identified: \_\_\_ Yes     X No

\* Reportable condition(s) identified  
that is not considered to be  
material weakness(es):     X Yes     \_\_\_ None reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are  
required to be reported in accordance  
with section 510(a) of Circular A-133:     \_\_\_ Yes     X No

Identification of major programs:

CFDA 14.228     Community Development Block Grant

Dollar threshold used to distinguish  
Between type A and B programs:     \$300,000

Auditee qualified as low-risk auditee?     \_\_\_ Yes     X No



## **SECTION II – FINANCIAL STATEMENT FINDINGS**

### **2006-1 Lack of Segregation of Duties**

We recognize the extent of segregation of duties is a judgment established by management. We also recognize this judgment is affected by certain circumstances beyond the Board's control such as by budgetary constraints. Due to limited staff, a proper segregation of duties may be impossible. However, the lack of adequate segregation of duties is hereby noted as a reportable condition pursuant to professional auditing standards

## **SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

### **2006-1 Lack of Segregation of Duties**

We recognize the extent of segregation of duties is a judgment established by management. We also recognize this judgment is affected by certain circumstances beyond the Board's control such as by budgetary constraints. Due to limited staff, a proper segregation of duties may be impossible. However, the lack of adequate segregation of duties is hereby noted as a reportable condition pursuant to professional auditing standards

**MEADE COUNTY  
CORRECTIVE ACTION PLAN  
JUNE 30, 2006**

Inadequate segregation of duties due to budgetary constraints.

**MEADE COUNTY  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2006**

There were no audit findings for the year ended June 30, 2005 which need to be addressed.